

# **SOCIALIST STUDIES**

**NO. 24**

**CONTENTS INCLUDE:**

**NEW LABOUR, THE PARTY OF BUSINESS**

**WHY WE NEED SOCIALISM**

**THE TORIES**

**THE TRANSITION THEORY**

**DEMOCRACY & SOCIALISM**

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THE SOCIALIST PARTY  
OF GREAT BRITAIN**

**Communications to: General Secretary, 71 Ashbourne Court,  
Woodside Park Road, London N12 8SB**

## THE SOCIALIST PARTY OF GREAT BRITAIN

# OBJECT

*The establishment of a system of society based upon the common ownership and democratic control of the means and instruments for producing and distributing wealth by and in the interest of the whole community.*

## DECLARATION OF PRINCIPLES

### THE SOCIALIST PARTY OF GREAT BRITAIN HOLDS:

1. That society as at present constituted is based upon the ownership of the means of living (i.e., land, factories, railways, etc.) by the capitalist or master class, and the consequent enslavement of the working class, by whose labour alone wealth is produced.
2. That in society, therefore, there is an antagonism of interests, manifesting itself as a class struggle, between those who possess but do not produce, and those who produce but do not possess.
3. That this antagonism can be abolished only by the emancipation of the working class from the domination of the master class, by the conversion into the common property of society of the means of production and distribution, and their democratic control by the whole people.
4. That as in the order of social evolution the working class is the last class to achieve its freedom, the emancipation of the working class will involve the emancipation of all mankind without distinction of race or sex.
5. That this emancipation must be the work of the working class itself.
6. That as the machinery of government, including the armed forces of the nation, exists only to conserve the monopoly by the capitalist class of the wealth taken from the workers, the working class must organise consciously and politically for the conquest of the powers of government, national and local, in order that this machinery, including these forces, may be converted from an instrument of oppression into the agent of emancipation and the overthrow of privilege, aristocratic and plutocratic.
7. That as all political parties are but the expression of class interests, and as the interest of the working class is diametrically opposed to the interests of all sections of the master class, the party seeking working class emancipation must be hostile to every other party.
8. The Socialist Party of Great Britain, therefore, enters the field of political action determined to wage war against all other political parties, whether alleged labour or avowedly capitalist, and calls upon the members of the working class of this country to muster under its banner to the end that a speedy termination may be wrought to the system which deprives them of the fruits of their labour, and that poverty may give place to comfort, privilege to equality, and slavery to freedom.

**ALL ENQUIRIES AND APPLICATIONS FOR MEMBERSHIP TO...**

The Socialist Party of Great Britain,

71 Ashbourne Court, Woodside Park Road, London N12 8SB

## NEW LABOUR, THE PARTY OF BUSINESS INTERESTS

After an election in which, more than ever before, the opposing parties were almost indistinguishable, the British working class have elected New Labour into government. Labour's supporters have proclaimed a new Jerusalem, a new millennium. They will inevitably be disappointed. Not only is New Labour not a socialist party - it never was and never could be - it is now not even a labour party, in the sense of pretending to stand up for the workers' interests.

### NEW LABOUR'S "PRINCIPLES"

The key points in Blair's speeches and New Labour's politics are the focus on **family**, **community** and **nation**, and a denial of any sense of class interests or class identity. In the Labour election manifesto, Blair wrote: *"I want a Britain that is one nation, with shared values and purpose"* (Introduction page 1). He sees the struggles *"public versus private, bosses versus workers, middle class versus working class"* as having no relevance in the modern world. Like his 'spin doctor', Peter Mandelson, he has adopted the old Liberal idea of industrial partnership: *"At the workplace...our aim is partnership not conflict between employers and employees"* (Manifesto Page 3).

The buzzword is the stakeholder society: *"New Labour believes that in a modern economy an efficient workforce must be motivated, well educated and treated as partners in the*

enterprise. There is no place for the outdated view of the relationship between employer and employee as one of master and servant, or for institutional conflict between unions and management". **The Blair Revolution**, (P. Mandelson and R. Liddle). For a concise exposition of this "outdated" view the reader is referred to the SPGB's Principles.

Whilst denying the reality of class conflict, and scorning what he calls outdated dogma, Blair and his colleagues seek support from the C.B.I. and other employers' organisations. Their **Manifesto** states: "*We see healthy profits as an essential motor of a dynamic market economy*" (Page 15). Naturally enough not a word is said about where these "*healthy profits*" actually come from - the unpaid labour of millions of men and women of the wage slave class, the workers.

## NEW LABOUR'S POLICIES

There was very little in New Labour's **Manifesto** for even their keenest supporters to get excited about. There were plenty of buzzwords like "partnership", but as for policies which might benefit some sections of the working class, there is precious little their supporters can expect. Labour is there to administer British capitalism, and that is what it will do.

Blair and co., acting in the interests of 'one nation' Britain, will resist "*any unreasonable public sector pay demands*". (**Manifesto** page 13.) That probably means an attempted pay freeze for nurses, firemen and any others unfortunate enough to have the government as their employer. They will "*crack down on dishonesty in the benefit system ... and maintain action against*



*benefit fraud of all kinds*", specifically Housing Benefit fraud (page 19). Whilst New Labour proposes to go after the 'dole cheats' and other 'scroungers' there is no mention of taking on the parasitic capitalist class, whose entire incomes, fortunes and capital, are derived from the exploitation of the working class.

As for the old age pension, New Labour have gone back on their earlier promise to restore the link with average earnings. That means that the pensioners who are entirely dependent on their state pensions, will be just as poverty stricken as they were under the Tories.

As for helping the hard up by increasing the meagre "welfare benefits", that is not on the agenda. The **Manifesto** makes it clear that the New Labour government intends to provide no extra funding. In fact, it clearly expects to reduce the cost of benefits.

As it spends more on its top priority, education, correspondingly less will be spent on what Tony Blair calls "*the bills of economic and social failure*" (**Manifesto** page 5). Of the total spent by government on 'Benefits', 45 per cent goes to the elderly, 24 per cent to the sick and disabled, and only 11 per cent on the unemployed, the rest going to families (**Social Trends**, 1996, page 145). It seems that the pensioners, the sick and the disabled who account for nearly 70 per cent of state welfare spending, are seen by New Labour's meritocracy as merely a burden on the taxpayer, and as "*the bills of economic and social failure*".

If trade unionists, who largely founded and funded the Labour Party, thought a new day was dawning when they saw John Major leave Downing Street, and Tony Blair move in, we suggest they

study Blair's view on the Tory 'reforms' of trade union law. Blair will keep these laws on the book largely unchanged. It will still be illegal to undertake secondary action, and workers who go on strike put their jobs in jeopardy. From the socialist point of view, it is difficult to see why the workers chose to vote Labour. There is no doubt in whose interests the Labour government will govern.

### **"BETTER FOR BUSINESS"**

Blair's friends let the cat out of the bag when they showed, in the election campaign, a party political broadcast whose sole message was that New Labour is *"Better for Business"*. Among these friends were the following well known champions of the working class. Gerry Robinson of the Granada Group which includes the motorway Happy Eater and Little Chef chains, whose workforce are among the lowest paid; Terence Conran of the Habitat / Storehouse Group, in dispute about union recognition with the G.M.B. union; Anita Roddick of the Body Shop chain, another retail business, also in dispute with a union, the M.S.F. union.

Blair himself declared *"we need more successful entrepreneurs"*, and his new improved version of Clause 4 was designed *"to put commitment to enterprise alongside the commitment to justice"* (*Manifesto* pages 2-3). Earlier in his 1994 conference speech, Blair spoke of a *"dynamic market economy based on partnership between government and industry, between employer and employee..."* (*New Britain* a New Statesman selection of Blair's speeches, 1996, page 32).

### **NEW LABOUR'S ROOTS**

Of course this 'New' Labour is not new at all, but merely carrying on in the same vein as before. A brief look at Labour's history

shows for example, in 1918 Henderson was arguing that the party must widen its appeal to "*become a national party capable of legislating in the interests of all classes*" (**British Political Parties Today**, R. Garner and R. Kelly, 1993, page 138). The same source describes Ramsay MacDonald in 1924 as "*clearly concerned above all to show how moderate and respectable Labour was in order not to frighten off the voters*" (page 139). Later, after 1951 when Labour was in opposition, one of Labour's leading thinkers Antony Crosland, claimed that with Keynesian policies and state management of the economy, capitalism had been "*reformed and modified almost out of existence*" (**British Political Parties Today**, page 141)

Wilson, Labour leader in the 1960's, brought pragmatism in as a substitute for "principle". The result was "*a legacy of uncertainty. His style of leadership - in which public relations superseded public planning, tactics swamped strategy, and cosmetics dominated economics - made it difficult to know what Labour stood for any longer*". (**The Labour Party Since 1945** K. Jeffreys, 1992, page 81). The SPGB of course has always maintained that the Labour Party only stands for capitalism.

Labour's next phase was as a party "*all but doctrineless*" (Drucker, quoted by Jeffreys page 103). The Labour Party split in various ways (SDP & militant) and elected a leader, Kinnock, obsessed with the overwhelming importance of vote catching. This meant redefining Labour's 'socialism' so that it would be "*as appealing as a source of efficiency and justice to the affluent and secure as to the impoverished and insecure ...*" (quoted from **British Political Parties Today**, page 154). Labour then struggled to discover policies to attract voters and weed out those which did not.

The result is New Labour: all things to all people. Blair's talk of community and partnership, his rejection of working class and trade union interests, all this is simply the latest chapter in an old story, a tale of opportunism and expediency, careerism and the maintenance of capitalism. As we commented many years ago: *"to look for any underlying theoretical unity in the Labour Party is like looking for the proverbial black cat in a dark room - that isn't there"* (Socialist Standard, September 1954).

The Labour Party is of no use to the working class. Its real function is to administer the capitalist system, and we can be sure that it will do this. The real choice however is between capitalism and Socialism, between exploitation and liberty.

#### **Marx & Engels on the Factory**

"In handicrafts and manufacture, the worker makes use of a tool; in the factory, the machine makes use of him. There the movements of the instrument of labour proceed from him, here it is the movements of the machine that he must follow. In manufacture the workers are part of a living mechanism, in the factory we have a lifeless mechanism which is independent of the workers, who are incorporated in it as its living appendages. *"The wearisome routine of endless drudgery in which the same mechanical process is ever repeated, is like the torture of Sisyphus; the burden of toil, like a rock, is ever falling back upon the worn out drudge"*. (Engels)..."

(Capital Volume 1, Machinery and Modern Industry,  
Section IV; The Factory, ch XV)



## WHY DO WE NEED SOCIALISM?

Why do we need Socialism? The reaction of many workers to this question will be to dismiss it as being of no concern of theirs. They are concerned, they say, with the company that employs them, with their chance of keeping their jobs or getting more pay. They are mistaken. What happens to a particular company depends upon its ability to sell its products at a profit, which in turn depends on what happens in the economy as a whole - that is in capitalism. Workers partially recognise that they have common interests with other workers by organising in trade unions. Socialists urge them in their own class interest, to take the further step of replacing capitalism with Socialism.

Capitalism the social system we live under today, is briefly described in our **Declaration of Principles**.

*"Society as at present constituted is based upon the ownership of the means of living, (i.e. land, factories, railways, etc.) by the capitalist or master class, and the consequent enslavement of the working class, by whose labour alone wealth is produced."*

Our **Object** deals with Socialism as we define it:

*"The establishment of a system of society based upon the common ownership and democratic control of the means and instruments for producing and distributing wealth by and in the interest of the whole community"*

Unfortunately, and through no fault of our own, the terms 'capitalism' and 'socialism' have both come to be widely used to mean something quite different from what they mean to socialists.

The Labour and Tory parties have for many years, restricted the term capitalism to cover only part of the capitalist system, excluding from the definition the nationalised, or state capitalist industries. In keeping with this unjustified limitation, both parties have chosen to call the state capitalist industries "socialism".

This was not always so, for some of the leaders and founders of the Labour Party once took a different view. Sidney Webb, later to become a minister in Labour governments, signed the **Manifesto of English Socialists** (1893) which contained this declaration:

*"On this point all socialists agree. Our aim, one and all, is to obtain for the whole community complete ownership and control of the means of transport, the means of manufacture, the mines and the land. Thus we look to put an end for ever to the wages-system, to sweep away all distinctions of class, and eventually to establish National and International Communism on a sound basis."*

In 1907 Kier Hardie the 'father of the Labour Party', and its first champion, justified nationalisation, not as an end in itself, but on the grounds that *"it will prepare the way for free communism ... in which the rule of life will be 'from each according to his ability, to each according to his needs' "*. In saying this, he was, as he said, claiming the Labour Party to be Marxist.

The Tory Party has been equally inconsistent. Nowadays they say that nationalisation is socialism. They did not say that in 1844, when they passed the first act giving the government power to nationalise the railways, or when Tory governments nationalised the postal, telegraph and telephone services, or when they set up

the Central Electricity Board and the B.B.C. Their claim when they did these things was that these were measures undertaken in the interests of capitalism.

The Tories have a special problem with their idolised leader, Winston Churchill, for during the greater part of his political life, he was a supporter of nationalisation and, in their misuse of language, therefore must have been a "socialist". Churchill was minister in several governments which nationalised various services, and in 1943, when he was prime minister, he declared:

*"There is a broadening field for state ownership and enterprise, especially in relation to monopolies".*

**Karl Marx** spent a large part of his life studying the historical developments which produced the social system we now know as capitalism. He identified what distinguishes it from earlier social systems, and described how capitalism came into being with the forcible removal of the peasants from the land, turning them into a propertyless class - wage earners producing profits for the owners of land and capital. In his analysis Marx set out the conditions necessary for the rise of the capitalist system of society - a peasantry forced off the land and compelled therefore to seek employment; an owning class possessing land and money; the prevailing arrangement being the production of 'commodities' (the products of industry not directly produced for use but for sale on the market), and the dispossessed class being wage workers as opposed to peasants or serfs.

He showed that the essential distinctive characteristic of capitalism is **not** the exploitation of one class by another, or riches and poverty, (both existed where there was slavery and in the

feudal system). The hallmark of capitalism is commodity production as the prevailing system, where the social wealth is produced by a class of wage earners. So the opening paragraph of Marx's *Capital* (Vol. 1) begins with the words:

*"The wealth of those societies in which the capitalist mode of production prevails, presents itself as "an immense accumulation of commodities".*

In line with this, Marx's aim of replacing capitalism with Socialism involved, not only the dispossession of the owning class but the ending of production for sale. It was put by Marx and Engels in *The Communist Manifesto* as *"the abolition of buying and selling"* Engels said : *"With the seizure of the means of production by society, production of commodities is done away with."* Marx also showed that historically, in all forms of society, the way in which the products of industry are divided among the different classes is determined by the existing mode of production itself.

In socialist society therefore, with production directly and solely for use and the consequent disappearance of the money system, the wages system and incomes from the ownership of property, all members of society will have free access to what has been produced. Of course Socialism as we define it and as Marx intended, does not exist anywhere in the world today.

Such "socialist" countries as China and up till recently Russia are merely examples of state capitalist countries which use the "socialist" tag. The newly elected government in France will certainly not establish Socialism although the governing party goes under that name. These claims to be socialist are totally

without foundation. In all the countries of the world there is a wage earning class which is divorced from the means of production, getting its living by being the employees of the companies and governments which own and control society's means of production and distribution. In all the world's countries there are inequalities of wealth and income and commodity production; the more money a person has the more there is available to be enjoyed. In all, the prevalent form is commodity production; production for sale at a profit.

The very existence of all the modern nation states with their conflicting interests and armed forces is an indication of the wide spread of capitalism and its associated problems. As Marx showed the formation of the modern nation state was a necessary part of the establishment of capitalist class supremacy.

In seeking to abolish capitalism and replace it with Socialism, the appeal of socialists is to the working class of the world. It is in the common interest of the working class to bring about this revolutionary change, democratically, through a political movement whose sole aim is Socialism.

**THE SOCIALIST PARTY OF GREAT BRITAIN**  
**of 71 Ashbourne Court, Woodside Park Road,**  
**London, N12 8SB**

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## THE TORIES

Now the party of opposition, the Tories are an openly capitalist party, justifying their purpose by such vague phrases as "*the enterprise culture*" and "*free enterprise*". They are supported by wealthy industrialists and property owners. They are unashamedly the party of the rich, though since world war II, they have gone to great lengths to try to create the image of a popular reform party, the party of popular capitalism, law and order, Christian morality, family values and the ethic of "self interest and self help".

In and out of office both Conservative and Labour parties pursue very similar policies, because both parties stand for capitalism, and both are used by the capitalists to control the state in the interests of British capitalism as a whole. Traditionally the Tories have been largely supported by the farmers, small and medium sized businesses, and the financial interests of the City of London. The recent election has shown that they have lost a lot of this support to the Labour Party. New Labour both before and after the election have been keen to demonstrate their commitment to the market and profit making. Blair stated (**Independent** 27th March 1997) that the (then) incoming Labour government would ensure that capitalists in their pursuit of profits would not be undermined by trade unions. The City financiers, too, see little to fear from New Labour.

Currently the Tory party is split by internal policy differences over issues like Europe, the single currency and federalism. These splits resulted in off shoot organisations such the U.K. Independence Party and the Referendum Party. The Tories now have a faction which is fanatically disposed towards the capitalism of the U.S.A.;

another faction yearning for a return to an independent Britain once again becoming "the workshop of the world", and another faction desiring a united Europe. It did not make for a stable political force and many capitalists switched allegiance to the Labour Party. Through their control over the media, the capitalist class can of course influence the workers' votes. The classic example in the 1997 election being Rupert Murdoch's **Sun** newspaper, which changed almost overnight and under Murdoch's direction, from supporting the Tories to supporting Labour.

The recently evicted Tory government had been elected 4 times by the British working class, which finally became disillusioned with "popular capitalism" becoming very unpopular. Why? The reason is simple. Like the Labour Party in the past, the Conservatives failed to solve the problems faced by the workers like unemployment, poor education, poverty, poor health provision, insecurity, housing etc. The phrases like "*the property owning democracy*", the "*classless society*", the "*Society at ease with itself*", these phrases now have a hollow ring in the workers' minds, (not that they ever meant anything in the first place). "*Sid*" had to sell his shares when the "*property owning democracy*" made him redundant or bankrupt. "*Sid's*" house had to be repossessed when he could no longer afford to pay the mortgage instalments. When "*Sid*" looked to his political leaders he saw their greed, sleaze, corruption and immorality.

We point to the failure of the Tories, not because of any economic incompetence, but because, no government, however well meaning or efficient, can make capitalism work for the benefit of all. All governments, sooner or later, come into direct conflict with the workers, because it is the government which must administer

capitalism in the only way possible - as a profit making system and in the interests of the privileged few who draw their incomes as rent, interest and profit through their ownership of the means of production and distribution.

## UNEMPLOYMENT

The Tories' inability to make capitalism run in the interests of all of society is most clearly demonstrated by considering unemployment. Over 6 million workers have lost their jobs since 1990, although many have since found other jobs, many others were forced into "early retirement". One in four men aged over 55, and more than half of men over 60 are no longer employed in work according to the **Joseph Rowntree Foundation**. Thirty years ago, more than 95 per cent of those aged between 55 and 59 and more than 90 per cent of those men aged between 60 and 65 were still economically active, whilst one quarter worked on past 65. In mid 1997 fewer than one in ten does. The threat of unemployment hangs over all workers whether they be manual or white collar workers, steel workers or solicitors. The Tories wanted a more flexible labour market with the hope that British capitalism would become more competitive. Of course a "flexible" labour market means more job insecurity and uncertainty about the future.

Understandably there is little trust in the Tories jobless figures. In the Spring of 1997, even using the Tories' own statistics, unemployment was half a million higher than it was in May 1979 when they took office. However the new figures have been distorted by the Jobseekers Allowance, which means that benefit can be withdrawn from the unemployed if they refuse to take low paid work. Most of the jobs being created are part time while the

number in full time employment has remained relatively static. **The Labour Force** survey shows that the number of full time workers in the Spring of 1996 was 19.3 million, up from 18.6 million in the Spring of 1994. Over the same period, the number of people in part time work rose from 4.8 million to 6.4 million. The number of men in part time work more than doubled.

Let us not forget that the mantra of the Tories has been "*leave it all to market forces*". On this basis the Tories can take neither credit nor blame for the behaviour of the economy. In fact governments can do nothing about the trade cycle. As Marx showed, capitalism passes from crisis to depression, to up turn, to boom and to crisis and depression again with the resulting further bankruptcies and unemployment.

Unemployment was one of the reasons that millions of workers voted for the Labour Party, believing that it would make a difference, and provide more stability of employment. Time will show that it will make no difference at all. Historically, Labour has always left office with unemployment higher than when it took office. It is a delusion to believe that Labour will create more jobs, and thereby bring unemployment down. Employers only employ and exploit workers when they believe that there is a profit to be made by selling the commodities that the workers produce. No profit means no production. Merely increasing government expenditure or bureaucracy without extra profit being produced only puts an increased burden on the capitalist class as a whole. The real lesson of unemployment is that there is nothing to be gained by replacing one capitalist party with another, but that capitalism itself needs to be replaced by Socialism. That is the most effective use of the workers' votes.



## DEMOCRACY & SOCIALISM, IDEAS IN TROUBLE

There have been many claims to "democracy" masked in various forms - such as - direct democracy, representative democracy, constitutional democracy or liberal democracy and even a people's democracy. So far none has painted a real democratic picture - only an illusion. A really democratic system of society has never been tried anywhere.

The reason is that Capitalism is a class structured society with opposing economic and political interests; and in this atmosphere social equality and a real democracy is impossible. The workers - the vast majority in society, produce the world's wealth, (industrial products, goods, services etc.), but they have no ownership or control in these matters. Only the small elite minority of capitalists exercise that power through their agents, the state apparatus etc. The various governments are the national executive committees of the capitalist class, and carry out their decisions, whether or not they have been elected by a so called democratic election or not. The political right to vote (a constitutional reform) does not mean that democracy exists, unless the vote includes the ownership and control over the means of life, (natural resources, industries etc.), by a majority of society. Without these conditions, democracy and the vote have no meaning except the continuation of capitalism, but with them it is a splendid idea. It can make the individual and society mutually responsible, co-operative and much less hostile. Reformers try to reform the unreformable, but capitalism generates the social problems and issues that it cannot solve, and never will be able to solve.



History offers lessons to show the urgent need for a political change in this confused and troubled world that is crying out for help. The socialist idea of democracy extending to the economic sphere must be global, because Socialism cannot exist in one country alone.

The socialist has a particular analysis of capitalism (historical materialism) and of previous social systems, that leads to a political movement advocating a new social order based on the common ownership and democratic control of all of the means of production and distribution by and in the interest of all of society, for a new and better life style.

All vanguard leadership claims to Socialism (e.g. Russia & China) past and present have proved to be spurious. Unfortunately 99.99 per cent of all voters have proved by the way they vote that they have no real political understanding of either democracy or Socialism - and that is a big problem for all of us.

According to the socialist analysis, capitalism has completed its historical purpose. It has developed a technology which can produce what society basically needs and more. It has also developed a working class which now runs the capitalist system from top to bottom, making the capitalist class entirely unnecessary as an economic entity.

Despite what the cynics, sceptics and those with no imagination say, the workers are certainly capable of organising and running a socialist society *as and when they so decide*. The working class must learn to work for and in their own class interests so that Socialism is made possible, and social problems may be solved.

The very contradictions of capitalism with its obscene extremes of poverty and riches, and its endless conflicts and wars, call for its replacement now. This is the urgent message yet to be realised and acted upon.

Governments, military force, reforms of capitalism or direct action can never introduce a socialist society. But a working class majority, politically informed and conscious, can bring Socialism about by a parliamentary, democratic act of voting for socialist delegates, and not voting for the continuation of capitalism.

Using their votes, the working class must capture the machinery of government, including the armed forces, so that the state apparatus may be converted from one of oppression into the agent of emancipation. It is a matter of transferring the means of life from private ownership to social ownership (**not nationalisation**). This democratic political act is to dispossess the capitalist class and dismantle their system for the benefit of all of society.

It is important to remember that Socialism without democracy is impossible, and that democracy without Socialism is impossible.

"Wages are therefore, not the worker's share in the commodities produced by him. Wages are the part of already existing commodities with which the capitalist buys for himself a definite amount of productive labour power.

Labour power is therefore, a commodity which its possessor, the wage worker, sells to capital. Why does he sell it? In order to live"  
(**Wage Labour & Capital**, Karl Marx, page 20, Moscow edition 1974)

## EXCHANGE RATES, INFLATION & INTEREST

Why are governments interested in the exchange rate of the pound? The answer is because nearly all companies are concerned about exchange rates. A company which exports a large part of its product (provided it does not have to import its raw materials) wants the exchange rate low. If exchange rates are low foreign capitalists can buy exports from Britain more cheaply and therefore, import more. Conversely, a company which imports from abroad to sell commodities in the home market, wants the exchange rate high, because then the company pays fewer pounds for a given quantity of imports. The question of exchange rates provides a good example of the way in which two groups within the capitalist class, from opposite and conflicting positions, seek political representation to ensure their interest wins out at the expense of their rivals.

A company which has big investments abroad wants the exchange rate low, because, with a low pound the income from their foreign investments increases as the exchange rate lowers. For example an income from investments in the U.S.A. at say \$100 converts into a larger number of pounds the lower the pound exchange rate. Each section of the capitalist class presses for the exchange rate most favourable to that section.

There is also a school of thought which argues that in the long run the worst for all sections of the capitalist class is a continual up and down movement of the exchange rate, and that it is best for all currencies to have a stable unchanging rate. Much of the thrust of

this interest group is against the speculators who gamble on the exchange rates, hoping to buy cheaply and sell dear.

Workers have no interest in the exchange rate mechanism. They own no commodities to import or export. The only commodity they own is their mental and physical ability to work which they sell to employers for wages and salaries. Whether exchange rates are high, low or stable the working class is exploited by the capitalist class. In trade unions workers can, depending on the state of trade and the balance of the class struggle, obtain higher wages or better working conditions. However owning no property they are always at a disadvantage. No ownership means no control over their lives. They are at the mercy of trade depressions and the ruthless pursuit of profit by employers. Workers, although they do not currently recognise it, have a common class interest. To pursue this interest it is necessary for the workers to become conscious and active as socialists. It is in the interest of the working class to replace capitalism with Socialism and not to support one section of the capitalist class against the other. Workers should leave the capitalists and their politicians to get on and resolve their own class problems.

## **INFLATION**

Whilst in government the Conservative Party prided themselves on their economic competence. It is a myth. That it is a myth can be shown by their theory of inflation held first by Nigel Lawson when he was Chancellor of the Exchequer, and later by his successor, Kenneth Clarke. Their argument about inflation went something like this 1) high interest rates feed inflation, 2) low interest rates prevent inflation, therefore 3) it is necessary to have a low pound exchange rate leading to low interest rates, thereby preventing



inflation. The whole argument is upside down, based as it is on a false premise.

Inflation can only be prevented by restricting the issue of currency. Inflation has gone on for over 60 years (and is currently running at about 2.5 per cent) because The Bank of England has continually, month after month, pushed more currency into circulation than is actually needed for trade. This leads to a general rise of all prices as the currency is watered down.

As prices rise through inflation, so interest rates also rise. If a capitalist lends say £100 for a year at 5 per cent and the purchasing power of the £100 falls to £95, the £105 he gets back at the end of the year is only worth what £100 was the previous year. So the capitalist who has lent his £100 and received back no interest at all has done rather badly. Capitalists only lend capital if they are going to receive more than their initial investment.

Economists say that the exchange rate and interest rates are central to the economy. They believe this because they have been taken in by what company boards think about capitalism. Every company borrowing money thinks it would be better off if it paid a lower interest rate with the bank, both in the case of those companies who import commodities and desire conditions of low exchange rates, and in the case of companies who export commodities and favour high exchange rates.

It is a total illusion. A company would say it would be in favour of low interest rates with a bank because of the seemingly good competitive rate it would produce. They forget that if interest rates were lower all round, other competitors, at home and abroad,



would also gain and increase their competitiveness. Companies tend to only see things from their own particular interest viewpoint. They do not see capitalism and the workings of capitalism as a comprehensive whole. The same applies to their economists and governments.

As for the seeming benefits of low exchange rates, this too is an illusion. Some capitalists and politicians try to convince workers that in the long run a lower rate will benefit all. The facts do not support this. For a century the pound was worth 4.56 dollars. Then it was lowered to 2.5 dollars to the pound, then 2 dollars, and the current rate is about 1.6 dollars(mid 1997). Each time the pound falls other aspects of the economy (prices and wages) adjust to the changed conditions. The working class still faces the same problems whether the pound is high or low.

### **INTEREST**

All politicians have to believe that the government controls the economy. Otherwise, on what grounds would the politicians seek votes at elections? If the Tories said that they could do nothing about depressions and unemployment they know that the other parties would say that they could do something. It is only when the workers come to understand how capitalism works, that they will become immune to the theories of politicians and economists. Without this understanding the workers will continue to be misguided by them, and they will continue to support the capitalist parties who claim to be able to end unemployment and improve the workers' standard of living.

In their arrogant supposition that governments control the economy, politicians believe it is in their power to control interest

rates and seek to gain support from the workers. This belief is completely without foundation, as the history of failed politicians and governments shows.

In the 19th century, bank rates were generally in the region of 2 to 3 per cent. The Labour Party and the Tories both falsely say that the government controls the interest rates. If that is the case, we may ask why they do not reduce them from say 6 per cent to 2 per cent? The answer is simple: - they cannot. For a start, they cannot control economic events with periodic depressions, bankruptcies and unemployment. They cannot control (except for very brief periods) wages or commodity prices or promote high profits. Almost the only thing governments control is the general price level (by increasing or decreasing the amount of currency in circulation). The great grandparents of the present collection of vulgar economists at least knew this fact, and governments did control the general price level. The price level in 1914 was almost exactly the same as it had been in 1850. It seems that modern politicians and economists have forgotten how to do it. Not that it any more would help governments to control economic events, which is beyond any government's power, however pitifully or artfully advised. During a period of low interest rates and stable prices towards the end of the 19th century, there was a great depression which went on for more than 20 years. Were the working class any better off? Of course not.

One final point should be made about the bank rates. It is important to remember what a very limited application these rates have; they tell you nothing about interest rates generally. The bank rate applies only to the discount rate the Bank of England will charge on certain first-class bills of exchange; for example the

Bank will advance say £98 on a Bill which matures at £100 in three months' time. In the outside world there are innumerable actual rates of interest. Every day thousands of transactions are negotiated at all sorts of rates between more or less urgent borrowers and more or less willing lenders.

No bank has to let someone have a loan if it chooses not to and the loan rate may be 20 per cent or more. On the other hand, if someone has money to lend and chooses to lend it at nil interest, who is to stop them? The banks for example, in 1989 had upwards of £20,000 million deposits on which they paid no interest at all. In the 19th century, when interest rates were around 3 per cent, Marx noted cases of companies in desperate need of cash paying 100 per cent or more.

It is to Marx that workers should turn if they want to understand how capitalism works, the economic forces which act upon it and why it can never be made to work in the interest of the working class.

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#### **Notice**

Our mail box was broken into some time between 2nd & 9th June. If any reader writing to us in this period has not had a reply, please write again.

#### **Audio Tapes**

We have reorganised our Tapes dept. Nearly 100 tapes are available covering a wide range of subjects, including the 1996-97 lecture series. Send for list

## THE "TRANSITION" THEORY

It is a common mistake to suppose that the idea of a transition period, a dictatorship of the proletariat, came from Lenin. But it was Marx who set it out in his **Critique of the Gotha Programme** (1875). This is the source which Lenin took over in his book **State and Revolution** (1917). In this, Lenin quotes from Marx as follows:

*"Between capitalist and communist society lies the period of the revolutionary transformation of the one into the other. Corresponding to this is also a political period in which the state can be nothing but the revolutionary dictatorship of the proletariat"* (**State and Revolution** Chapter 5).

However while Marx called it the "*lower phase of communism*", Lenin invented the lie that it was "*commonly called Socialism*".

Marx argued the necessity of this transition because the workers, immediately on taking power, in his view, would not be ready for Socialism, their heads being full of capitalist notions. The Socialist Party of Great Britain threw this overboard because, for us, there is no intention of taking power backed by masses of non socialists. For the SPGB the workers have got to understand Socialism first.

Some people have argued that the "dictatorship of the Proletariat" did not, for Marx, mean dictatorship and that it was only a common term for majority rule. But with all due respect for these people, dictatorship meant what it said.

In 1875, apart from Britain, the working class were a minority, as they were in Russia in 1917. We should also remember Engels'



view, in 1891 when considering the possibility that the German Social Democratic Party would get power within 10 years. He argued that, in the event of being pushed into it prematurely by war, "*we shall have to use **terror** against them [the technicians] because they will be 'our chief enemies'*".

The SPGB owes much to Marx and Engels, but in this area we disagree with their views. Since nowadays the working class is the majority class, there is no reason to suppose any need for a "dictatorship of the proletariat". It would serve no useful purpose; on the contrary, Socialism can only be achieved and run with the willing, conscious and democratic support of the working class.

Of course there is a different sort of "interim period" to be taken into account. Once Socialism has been established unlimited "free access" will not be practicable immediately after the conquest of power. It will take a considerable time and a lot of work, before everywhere that people live in the world, all the requirements will be provided - sufficient quantity, quality and variety of food, clothing, shelter, water and sewage systems, means of travel, education, entertainment, places of work etc. etc. etc.

To suppose that capitalism will do it all beforehand is pure utopianism. As Marx rightly said, Socialism's first task will be to increase production as fast as possible. But this cannot be done unless the majority of the population within Socialism, actively, consciously and democratically support Socialism, and want to help build the new society. What better motivation can there be?

**We have a world to gain!**



## OBITUARY GEORGE KERR

We regret to report the death of our comrade George Kerr, who died in hospital on 7th March 1997. He was 90 years of age. With a political background in his home life, it was not long before he realised the validity of the socialist case, and he joined the old West Ham Branch just prior to the outbreak of war in 1945.

He spoke regularly at outdoor stations in that area - Ilford, East Ham and other places. He also gave a number of indoor lectures. He was a keen and successful canvasser, selling many copies of the party journal.

He served on the Executive Committee for a few years, but due to some disagreements mainly with younger members, he gave this up. He continued to work in his branch.

He did not join us when we re-constituted the SPGB in 1991, hoping that reconciliation would come about. However events made him realise that this was impossible in view of our fundamental criticisms of the Clapham based Socialist Party. He resigned from that organisation, and he applied to us for membership in November 1996 and was accepted. He saw no objection to completing our questionnaire.

George, one of three brothers, all of whom were members of the old SPGB, was a quiet person, but persuasive in his propaganda. Unfortunately, failing health did not allow him to take part in our activities. His death further depletes our ranks, but his

contribution to the socialist cause will not be forgotten. To his wife Alice, and his family, we offer our condolences.

### THE SPGB'S CONSISTENT CASE

" A glance over past history shows that every class that emancipated itself had to commence with the capture of the political machinery, that is with the power of government. It is, therefore, necessary for the workers to organise a political party having for its object the capture of political power.

This political party of the workers can only be a Socialist party, because Socialism alone is based on the facts of working class existence. Socialism alone can free the worker from the necessity of selling himself for the profit of a master, Socialism alone will strip him of his merchandise character and allow him to become a full social being. Then with the removal of the many artificial restrictions to production, those producing wealth, owning and controlling it for their own well-being, will be interested in the further development of the productive powers, for every new conquest in the domain of science, every fresh extension of the dominion of Man over nature, will be hailed by all as a means of shortening the time necessary for the production of our material requirements, and increasing the leisure essential to the adequate development of our physical and mental faculties."

**(Manifesto of The Socialist Party of Great Britain)**

Sixth Edition published 1920, page 25

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